

**Town of Francis  
Francis, Utah**

**Financial Statements**

**For the Year Ended June 30, 2006**

**Ulrich & Associates, PC  
Certified Public Accountants  
Ogden, Utah**

**Town of Francis**  
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**June 30, 2006**

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# **Ulrich & Associates, PC**

**Certified Public Accountants**

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members  
of the Town Council  
Town of Francis  
Francis, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Francis as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Francis' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Francis as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2006 on our consideration of Town of Francis' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis, schedule of impact fees, and budgetary comparison information on pages 4 through 9 and pages 36 & 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Witch & Associates, P.C.*

December 19, 2006

**Town of Francis**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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As management of the Town of Francis, we offer readers of the Town of Francis' financial statements this narrative overview and analysis of the financial activities of the Town of Francis for the fiscal year ended June 30, 2006.

Financial Highlights

The assets of the Town of Francis exceeded its liabilities at the close of the current fiscal year by \$4,238,024. Of this amount, \$1,092,245 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

In the Enterprise Fund, net operating revenues were \$142,928. This includes a non-cash charge for depreciation of \$102,375. The enterprise fund also received a CDBG grant of \$14,194 to upgrade and installed waterlines in the Town.

The town continues to experience growth as reflected in the number of building permits issued and the collection of impact fees.

The town made payments to reduce the long term debt by \$125,499.

Reporting the Town as a Whole

This discussion and analysis is intended to serve as an introduction to the Town of Francis' basic financial statements. The Town of Francis' basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also include other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Francis' finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of the Town of Francis' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Francis is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# **Town of Francis**

## **Management's Discussion and Analysis**

**June 30, 2006**

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Both of the government-wide financial statements distinguish functions of the Town of Francis that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 11 and 12 of this report.

### **Reporting the Town's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Francis also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund and the capital projects fund.

Proprietary funds - The Town of Francis maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Francis uses the enterprise fund to account for its Water & Sewer Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

**Town of Francis**  
**Management's Discussion and Analysis**  
**June 30, 2006**

**Government-wide Financial Analysis**

Net assets, over time, are intended to serve as an indicator of a government's financial position. The Town of Francis, assets exceeded liabilities by \$894,491, a decrease of \$5,680 over the prior year. This increase was largely due to planned expenditures. By far, the largest portion of the Town of Francis' net assets (\$405,529) is its investment in capital assets (e.g., land, buildings, machinery and equipment, etc.) The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 659,925	593,065	1,111,081	991,639
Capital assets	405,539	431,290	3,223,753	3,274,620
Total assets	1,065,464	1,024,355	4,334,834	4,266,259
Long-term debt outstanding	-	12,251	964,525	1,097,773
Other liabilities	170,973	111,933	25,523	13,477
Total liabilities	170,973	124,184	990,048	1,111,250
Net Assets:				
Invested in capital assets, net of del	405,539	419,039	2,584,948	2,502,567
Restricted	79,253	154,140	44,154	42,154
Unrestricted	409,699	326,992	715,684	610,288
Total net assets	\$ 894,491	900,171	3,344,786	3,155,009

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**Town of Francis**  
**Management's Discussion and Analysis**  
June 30, 2006

**Changes in Net Assets**

	Governmental Activities 2006	Business- Type Activities 2006
Revenues:		
Program revenues:		
Charges for services	\$ 117,816	245,249
Operating grants & contributions	36,957	150,631
Capital grants & contributions	1,000	14,194
General revenues:		
Property taxes	119,035	-
Other taxes	79,895	-
Interest income	20,065	27,076
Total revenues	<u>374,768</u>	<u>437,150</u>
Expenses:		
General government	156,099	-
Public safety	85,733	-
Highways/public improvements	78,195	-
Parks & recreation	59,617	-
Water & waste collection	-	236,452
Total expenses	<u>379,644</u>	<u>236,452</u>
Interest expense	(804)	(10,921)
Increase (decrease) in net assets	<u>(5,680)</u>	<u>189,777</u>
Net assets, beginning of year	<u>900,171</u>	<u>3,155,009</u>
Net assets, end of year	<u><u>\$ 894,491</u></u>	<u><u>3,344,786</u></u>

**Financial Analysis of Government's Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.



**Town of Francis**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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As of June 30, 2006, the Town's General Fund reported a fund balance of \$267,177. This represents an decrease of \$5,680 (0.6%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 52.3% of total general fund revenues. The largest element of taxes is property taxes which represent 30% of general fund revenues. Property taxes are followed closely by sales taxes which represent 22.3% of general fund revenues.

The Town maintains only one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the fund statements provide more detail.

Significant changes in the governmental funds include an overall increase in standard revenues of \$34,869. This is largely due to the increase in sales tax received over last year of \$21,313.

#### General Fund Budgetary Highlights

During the fiscal year the General Fund original budget was amended to reallocate budgeted expenditures between departments. The overall adopted expenditures did not change from the beginning of the year.

#### Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$521,675 of land, \$251,001 of buildings and improvements, \$25,073 of machinery and equipment and \$2,830,291 in water and sewer systems. The total decrease in the Town's investment in fixed assets for the current year was \$77,871. This was the difference between purchasing and constructing new assets and depreciation expensed on the assets.

Major capital asset events during the current fiscal year included the following:

\$14,600 construction of bleachers.

\$36,908 for construction of water lines.

**Town of Francis**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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	<u>Town of Francis' Capital Assets</u>	
	Governmental Activities 2006	Business- Type Activities 2006
Land	148,226	373,449
Buildings	136,982	-
Improvements	271,888	-
Water system	-	2,313,677
Sewer system	-	1,887,190
Machinery and equipment	29,495	32,564
Less: Accumulated depreciation	(182,305)	(1,383,126)
Total	<u>404,286</u>	<u>3,223,754</u>

Additional information on the Town's capital assets can be found in the footnotes of this report.

Long-term Debt

At June 30, 2006, the Town had no bonded debt outstanding. This debt of the Town is secured solely by specific revenue sources (i.e., revenue bonds).

	<u>Town of Francis' Long-term Debt</u>	
	Governmental Activities 2006	Business- Type Activities 2006
Water revenue bonds	\$ -	\$ 577,061
Water notes payable	-	181,524
Sewer notes payable	-	149,940
	<u>\$ -</u>	<u>\$ 908,525</u>

The Town's total debt decreased by \$125,499 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

## **BASIC FINANCIAL STATEMENTS**

**Town of Francis**  
**Statement of Net Assets**  
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 532,794	725,233	1,258,027
Receivables - net:			
Property taxes	103,430	-	103,430
Sales taxes	15,906	-	15,906
Road funds	7,795	-	7,795
Accounts	-	37,199	37,199
Due from other funds	-	22,929	22,929
Water rights	-	325,720	325,720
Capital assets (net of accumulated depreciation):			
Land	148,226	373,449	521,675
Buildings	84,253	-	84,253
Improvements	166,748	-	166,748
Water system	-	1,715,801	1,715,801
Sewer system	-	1,114,489	1,114,489
Machinery and equipment	6,312	20,014	26,326
Total assets	1,065,464	4,334,834	5,400,298
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	92,339	19,523	111,862
Due to other funds	22,929	-	22,929
Customer deposits	-	6,000	6,000
Construction bonds held	55,705	-	55,705
Revenue bonds payable - current	-	36,805	36,805
Notes payable - current	-	78,977	78,977
Due to developer	-	56,000	56,000
Revenue bonds payable - noncurrent	-	540,256	540,256
Notes payable - noncurrent	-	252,487	252,487
Total liabilities	170,973	990,048	1,161,021
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	405,539	2,584,948	2,990,487
Restricted for debt	-	44,154	44,154
Restricted for class C road	79,253	-	79,253
Unrestricted	409,699	715,684	1,125,383
Total net assets	\$ 894,491	3,344,786	4,239,277

The notes to the financial statements are an integral part of this statement.

# Town of Francis

## Statement of Activities

For the Year Ended June 30, 2006

Function/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Operating		Capital	Primary Government		
		Charges for Services	Grants and Contributions		Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 156,099	84,014	-	-	(72,085)	-	(72,085)
Professional services	85,733	-	607	-	(85,126)	-	(85,126)
Highways and public improvements	78,195	-	36,350	-	(41,845)	-	(41,845)
Parks and recreation	59,617	33,802	-	1,000	(24,815)	-	(24,815)
Interest on long-term debt	804	-	-	-	(804)	-	(804)
Total governmental activities	380,448	117,816	36,957	1,000	(224,675)	-	(224,675)
<b>Business-type activities:</b>							
Water & sewer utility	247,373	245,249	150,631	14,194	-	162,701	162,701
Total business-type activities	247,373	245,249	150,631	14,194	-	162,701	162,701
Total primary government	627,821	363,065	187,588	15,194	(224,675)	162,701	(61,974)
<b>General revenues:</b>							
Property taxes					119,035	-	119,035
General sales tax					79,895	-	79,895
Franchise tax					-	-	-
Interest earnings					20,065	27,076	47,141
Total general revenues					218,995	27,076	246,071
Change in net assets					(5,680)	189,777	184,097
Net assets - beginning, as adjusted					900,171	3,155,009	4,055,180
Net assets - ending					\$ 894,491	3,344,786	4,239,277

The notes to the financial statements are an integral part of this statement.

**Town of Francis**  
**Balance Sheet**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Capital Projects	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 410,198	122,596	532,794
Receivables (net):			
Property taxes	103,430	-	103,430
Sales taxes	15,906	-	15,906
Road funds	7,795	-	7,795
Total assets	<u>537,329</u>	<u>122,596</u>	<u>659,925</u>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts payable	92,339	-	92,339
Due to other funds	22,929	-	22,929
Construction bonds held	55,705	-	55,705
Deferred revenue	99,179	-	99,179
Total liabilities	<u>270,152</u>	<u>-</u>	<u>270,152</u>
Fund Balances:			
Reserved for:			
Roads	79,253	-	79,253
Unreserved, reported in:			
General fund	187,924	-	187,924
Capital projects funds	-	122,596	122,596
Total fund balances	<u>267,177</u>	<u>122,596</u>	<u>389,773</u>
Total liabilities and fund balances	<u>\$ 537,329</u>	<u>122,596</u>	<u>659,925</u>

The notes to the financial statements are an integral part of this statement.

**Town of Francis**  
**Balance Sheet Reconciliation to Statement of Net Assets**  
**June 30, 2006**

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types:	\$ 389,773
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$586,591 and the accumulated depreciation is \$155,301.	405,539
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Property tax revenue is recognized when earned (claim to resources established) rather than when "available." Deferred property tax revenue is not available.	99,179
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Net assets of government activities	<u>\$ 894,491</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Francis**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Capital Projects	Total Governmental Funds
<b><u>Revenues</u></b>			
Taxes	\$ 187,026	-	187,026
Licenses and permits	84,014	-	84,014
Intergovernmental	37,957	-	37,957
Charges for services	33,802	-	33,802
Interest	14,997	5,068	20,065
Total revenues	<u>357,796</u>	<u>5,068</u>	<u>362,864</u>
<b><u>Expenditures</u></b>			
Current:			
General government	135,348	-	135,348
Professional Services	85,733	-	85,733
Highways and public works	78,195	-	78,195
Parks and recreation	54,617	-	54,617
Capital outlay	12,251	-	12,251
Interest	804	-	804
Total expenditures	<u>366,948</u>	<u>-</u>	<u>366,948</u>
Excess revenues over (under) expenditures	<u>(9,152)</u>	<u>5,068</u>	<u>(4,084)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revs and other sources over (under) expend and other uses	<u>(9,152)</u>	<u>5,068</u>	<u>(4,084)</u>
Fund balances - beginning of year, as adjusted	<u>276,329</u>	<u>117,528</u>	<u>393,857</u>
Fund balances - end of year	<u>\$ 267,177</u>	<u>122,596</u>	<u>389,773</u>

The notes to the financial statements are an integral part of this statement.



**Town of Francis**  
**Statement of Changes Reconciliation to Statement of Activities**  
**For the Year Ended June 30, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds \$ (4,084)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,253	
Depreciation	<u>(27,004)</u>	(25,751)

The governmental funds report repayment of lease principal as an expenditure. In the statement of activities it is a reduction of the lease payable. 12,251

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however recorded as revenues in the statement of activities. Deferred property tax revenues increased this year. 11,904

Change in net assets of governmental activities \$ (5,680)

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The notes to the financial statements are an integral part of this statement.

**Town of Francis**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget - Positive (Negative)</u>
<b><u>Revenues</u></b>				
Taxes	\$ 177,500	185,300	187,026	1,726
Licenses and permits	90,000	88,000	84,014	(3,986)
Intergovernmental	25,500	35,977	37,957	1,980
Charges for services	37,500	33,500	33,802	302
Interest	12,500	20,200	14,997	(5,203)
Total revenues	343,000	362,977	357,796	(5,181)
<b><u>Expenditures</u></b>				
Current:				
General government	93,000	140,100	135,348	4,752
Professional Services	60,000	96,000	85,733	10,267
Highways and public works	85,000	85,100	78,195	6,905
Parks and Recreation	105,500	60,250	55,421	4,829
Capital outlay	16,000	13,000	12,251	749
Total expenditures	359,500	394,450	366,948	27,502
Excess revenues over (under)				
expenditures	(16,500)	(31,473)	(9,152)	22,321
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	(35,000)	-	-	-
Total other financing sources and uses	(35,000)	-	-	-
Excess of revenues and other sources				
over (under) expenditures and other uses	(51,500)	(31,473)	(9,152)	22,321
Fund balances - beginning of year	276,329	276,329	276,329	-
Fund balances - end of year	\$ 224,829	244,856	267,177	22,321

The notes to the financial statements are an integral part of this statement.

**Town of Francis**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

Business-Type Activities - Enterprise

Water and  
Sewer Utility

**Assets**

Current assets:

Cash and cash equivalents	\$ 725,233
Accounts receivable - net	37,199
Due from other fund	22,929
Total current assets	<u>785,361</u>

Noncurrent assets:

Water Shares	325,720
Land, equipment, buildings and improvements	4,606,880
Less: Accumulated depreciation	<u>(1,383,127)</u>
Total noncurrent assets	<u>3,549,473</u>
Total assets	<u><u>\$ 4,334,834</u></u>

**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued liabilities	19,523
Customer deposits	6,000
Current portion revenue bonds	36,805
Current portion notes payable	78,977
Total current liabilities	<u>141,305</u>

Noncurrent liabilities:

Due to developer	56,000
Revenue bonds (net current portion)	540,256
Notes payable (net current portion)	252,487
Total noncurrent liabilities	<u>848,743</u>
Total liabilities	<u>990,048</u>

Net Assets:

Invested in capital assets net of related debt	2,584,948
Restricted for debt reserve	44,154
Unrestricted	715,684
Total net assets	<u>3,344,786</u>
Total liabilities and net assets	<u><u>\$ 4,334,834</u></u>

The notes to the financial statements are an integral part of this statement.

**Town of Francis**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds
	Water and Sewer Utility
<b><u>Operating Revenues</u></b>	
Charges for services	\$ 245,249
Impact fees	134,131
Total operating revenues	<u>379,380</u>
<b><u>Operating Expenses</u></b>	
Salaries and wages	16,590
Professional Services	25,963
Maintenance and supplies	77,967
Utilities	13,450
Depreciation and amortization	102,375
Other	107
Total operating expenses	<u>236,452</u>
Operating income (loss)	<u>142,928</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Grants	14,194
Interest revenue	27,076
Interest expense and fiscal charges	(10,921)
Contributions	16,500
Total nonoperating revenues (expenses)	<u>46,849</u>
Change in net assets	189,777
Total net assets - beginning as adjusted	3,155,009
Total net assets - ending	<u><u>\$ 3,344,786</u></u>

The notes to the financial statements are an integral part of this statement.

**Town of Francis**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds Water and Sewer Utility
<b><u>Cash flows from operating activities</u></b>	
Receipts from customers	\$ 365,844
Payments to suppliers	(105,441)
Payments to employees	(16,590)
Net cash provided by (used in) operating activities	<u>243,813</u>
<b><u>Cash flows from non capital and related financing activities</u></b>	
Grants	14,194
Net cash provided by (used in) non capital and related financing activities	<u>14,194</u>
<b><u>Cash flows from capital and related financing activities</u></b>	
Purchases of capital assets	(51,508)
Contributions	16,500
Payments to developers	(20,000)
Principal paid on capital debt	(113,248)
Interest paid on capital debt	(10,921)
Net cash provided by (used in) capital and related financing activities	<u>(179,177)</u>
<b><u>Cash flows from investing activities</u></b>	
Interest received	27,076
Net cash provided by (used in) investing activities	<u>27,076</u>
Net increase (decrease) in cash and cash equivalents	105,906
Cash and cash equivalents - beginning, as adjusted	619,327
Cash and cash equivalents (deficit) - end	<u>\$ 725,233</u>
<b><u>Reconciliation of operating income to net cash provided by (used) in operating activities:</u></b>	
Operating income	\$ 142,928
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	102,375
(Increase)/decrease in accounts receivable	(13,536)
Increase (decrease.) in accounts payable	12,046
Total adjustments	<u>100,885</u>
Net cash provided (used) by operating activities	<u>\$ 243,813</u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**Town of Francis**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies**

Reporting Entity

The Town is a municipal corporation governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the Town's

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies - Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects* fund is used to account for the accumulation of revenues and the purchase or construction of capital assets.

The Town reports the following major proprietary funds:

The *water & sewer utility* fund accounts for the operations of the Town's water and sewer system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.



**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies - Continued**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the Town, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property and sales tax receivables are shown net of an allowance for uncollectibles.

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

**Note 1 - Summary of Significant Accounting Policies - Continued**

Property taxes are collected by the County Treasurer and remitted to the Town shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the Town monthly.

**3. Restricted cash and cash equivalents**

Certain resources of the Town's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

**4. Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
System infrastructure	30 - 40
Vehicles	5
Equipment	7

**5. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

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**Note 1 - Summary of Significant Accounting Policies - Continued**

6. Fund equity/Net assets

Contributed capital is recorded in proprietary funds that have received capital contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Note 2 - Stewardship, Compliance, and Accountability**

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the Town of Stockton town board on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, no supplemental appropriations were made.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the Town has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

**Note 3 - Detailed Notes on all Funds**

**Deposits and investments**

The Town maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund, which is available for use by all funds.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

*Custodial credit risk - Deposits.* This is the risk that in the event of a bank failure, the government's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$92,350 of the \$192,350 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk - Investments.* This is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

As of June 30, 2006, the City had the following deposits and investments:

	<u>Fair Value</u>
Cash on deposit	\$ 192,350
Utah State Treasurer's investment pool	<u>1,076,214</u>
	<u>\$1,268,564</u>

*Credit risk.* This is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act.

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

**Note 3 - Detailed Notes on all Funds - Continued**

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the Town had investments of \$1,076,214 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

*Interest rate risk.* This is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Cash and investments reported in the statement of net assets are as follows:

Cash on deposit	\$ 186,260
Utah State Treasurer's investment pool account	<u>1,071,766</u>
	<u>\$1,258,027</u>

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash and cash equivalents	<u><u>\$1,258,027</u></u>
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**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

**Note 3 - Detailed Notes on all Funds - Continued**

**Capital assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 148,226	-	-	148,226
Total capital assets not being depreciated	148,226	-	-	148,226
Capital assets being depreciated:				
Buildings	136,982	-	-	136,982
Improvements	271,888	-	-	271,888
Machinery and equipment	29,495	-	-	29,495
Total capital assets being depreciated	438,365	-	-	438,365
Less accumulated depreciation for:				
Buildings	48,163	4,566	-	52,729
Improvements	87,004	18,136	-	105,140
Machinery and equipment	20,134	4,302	-	24,436
Total accumulated depreciation	155,301	27,004	-	182,305
Total capital assets, being depreciated, net	283,064	(27,004)	-	256,060
Governmental activities capital assets, net	\$ 431,290	(27,004)	-	404,286

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**Town of Francis**  
**Notes to Financial Statements-Continued**  
For the Year Ended June 30, 2006

**Note 3 - Detailed Notes on all Funds - Continued**

**Capital assets**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 373,449	-	-	373,449
Total capital assets not being depreciated	373,449	-	-	373,449
Capital assets being depreciated:				
Buildings	-	-	-	-
Sewer infrastructure	1,887,190	-	-	1,887,190
Water infrastructure	2,276,769	36,908	-	2,313,677
Machinery and equipment	17,964	14,600	-	32,564
Total capital assets being depreciated	4,181,923	51,508	-	4,233,431
Less accumulated depreciation for:				
Buildings	-	-	-	-
Sewer infrastructure	730,386	42,315	-	772,701
Water infrastructure	539,396	58,479	-	597,875
Machinery and equipment	10,969	1,581	-	12,550
Total accumulated depreciation	1,280,751	102,375	-	1,383,126
Total capital assets, being depreciated, net	2,901,172	(50,867)	-	2,850,305
Business-type activities capital assets, net	\$ 3,274,621	(50,867)	-	3,223,754

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 22,004
Parks and recreation	5,000
Total depreciation expense -governmental activities	<u>27,004</u>

Business-type activities:

Water & sewer utility	102,375
Total depreciation expense	<u>\$ 129,379</u>

**Town of Francis**  
**Notes to Financial Statements-Continued**  
For the Year Ended June 30, 2006

**Note 3 - Detailed Notes on all Funds - Continued**

**Interfund receivables, payables, and transfers**

Individual interfund receivable and payable balances at June 30, 2006 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ -	22,929
Water & sewer utility	22,929	-
	<u>\$ 22,929</u>	<u>22,929</u>

**Long-term debt**

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital lease payable	\$ 12,251	-	(12,251)	-	-
Total governmental activities long-term	<u>\$ 12,251</u>	<u>-</u>	<u>(12,251)</u>	<u>-</u>	<u>-</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Water Revenue bonds	\$ 612,771	-	(35,710)	577,061	36,805
Water notes payable	235,050	-	(53,526)	181,524	54,605
Sewer notes payable	173,952	-	(24,012)	149,940	24,372
Total business-type activities long-term	<u>\$ 1,021,773</u>	<u>-</u>	<u>(113,248)</u>	<u>908,525</u>	<u>115,782</u>

**Revenue bonds**

The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the FHA revenue bonds was \$50,000 with monthly installments of \$242, due in 2017. The original debt of the 1991 subordinated revenue bonds was \$675,500 with in annual installments of \$27,000 due in 2017. The original debt of the revenue bonds was \$342,000 with annual installments ranging from \$7,420 to \$25,250, due in 2025. Revenue bonds outstanding at year end are as follows:



**Town of Francis**  
**Notes to Financial Statements-Continued**  
For the Year Ended June 30, 2006

**Note 3 - Detailed Notes on all Funds - Continued**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
FHA water revenue bonds	5.00%	\$ 23,016
1991 Subordinated water revenue bonds	0.00%	297,000
Water revenue bonds	1.00%	257,045
		<u>\$ 577,061</u>

Revenue bond debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	36,805	4,039
2008	36,897	3,857
2009	37,994	3,660
2010	39,096	3,448
2011	40,204	3,230
2012-2016	221,013	12,038
2017-2021	124,000	5,700
2022-2023	41,045	740
Total	<u>\$ 577,054</u>	<u>36,712</u>

**Notes payable**

The Town has signed two notes payable with the State Community Impact board for the construction of the sewer system within the town. The first note was for \$160,000 with annual payments of \$10,800, due in 2013. The second note was for \$400,000 with annual payments of \$16,000, due in 2013. Additionally, the Town has entered into a note for \$274,000 with quarterly payments of \$14,457, due in 2009. The new note was to purchase water shares. The outstanding balance on the notes at June 30, 2005 is as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
CIB note payable	4.50%	\$ 53,940
CIB note payable	0.00%	96,000
Wild Willow note payable	2.00%	181,524
		<u>\$ 331,464</u>

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

**Note 3 - Detailed Notes on all Funds - Continued**

Notes payable debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	78,977	5,651
2008	80,454	4,174
2009	81,970	2,558
2010	39,939	1,318
2011	25,984	816
2011-2015	24,140	367
Total	<u>\$ 331,464</u>	<u>14,884</u>

**Restricted net assets**

A portion of the net assets in the proprietary fund is reserved annually in accordance with the terms of the Farmers Home Administration Water Revenue Bond (FHA Bond) and the Subordinated Water Revenue Bond Series 1991, and water revenue bond. The FHA Bond stipulates that a reserve of 10% of annual payments be made each year for 10 years. The Subordinated bond stipulates that a sinking fund be established obligating 1/12th of the amount of principle and interest on the payment next due. In addition to the sinking fund there shall also be a reserve account established obligating \$225 per month until an amount equal to the largest future annual debt service on the bonds or \$27,000, whichever is greater, has been accumulated. The water revenue bonds require a \$2,000 annual reserve payment until \$24,000 has been accumulated. The reserved amount consists of the following:

Farmers Home Administration Water Revenue Bond	\$ 2,904
Subordinated water revenue bond - sinking fund	2,250
Subordinated water revenue bond - reserve fund	27,000
Water revenue reserve fund	12,000
	<u>\$ 44,154</u>

**Consolidated financial statements**

On September 11, 1991, the Town purchased fifty six (56) shares of stock in the Woodland Hills Mutual Water Company, a Utah Corporation. The total cost of the shares purchased amounts to two hundred and twenty five thousand dollars (\$225,000). The two hundred twenty five thousand dollars (\$225,000) is recorded in the accompanying combined balance sheet under Water and Sewer System. Along with the shares, the Town was granted a perpetual easement to use the Water Company's existing reservoir, easements and pipelines and an irrevocable license to use the Water Company's well, pump and pump house, and the Company's surplus water.

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

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**Note 4 - Other information**

The Woodland Hills Mutual Water Company has a total of one hundred eight (108) shares issued and outstanding. The Town's fifty six (56) shares represent a fifty one percent (51%) ownership. Of the remaining fifty two (52) shares, one (1) share is held as treasury stock, and fifty one (51) are reserved and restricted and were issued on the basis of one (1) share for each lot in the Woodland Hills Subdivision. Each share entitles the holder to a one inch connection to the water system.

The Town's treatment of the acquisition of an interest in the Woodland Hills Mutual Water Company and the recording by the Town of the operations of the water company is at variance with Financial Accounting Standards Board (FASB) Statement 94. That statement provides that consolidated financial statements generally shall include enterprises in which the parent has a controlling financial interest. The consolidation procedure includes recording on the books of the parent the operations and the fair value of the net assets of the subsidiary to the extent of the parent's ownership interest.

The operation of the Woodland Hills Mutual Water Company was assumed by the Town on January 1, 1991. All revenues and expenditures relating to the operation of the Woodland Hills Water System for the period July 1, 2002, through June 30, 2003, were recorded in the Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Types. The dollar effect of including one hundred percent (100%) and not fifty one percent (51%) as required by FASB Statement 94 has not been determined.

The fair value of the net assets of the Woodland Hills Mutual Water Company amounts to two hundred and sixty thousand dollars (\$260,000), as determined by appraisal dated January 30, 1991. FASB Statement 94 would generally require an adjustment on the books of the Town to reflect the difference between fifty one percent (51%) of the fair value of the net assets, one hundred thirty two thousand six hundred dollars (\$132,600), and the cost of the investment of two hundred twenty five thousand (\$225,000). The difference of ninety two thousand four hundred (\$92,400) would be recorded as goodwill.

Compliance with FASB Statement 94 would result in a misleading presentation because forty nine percent (49%) of the shares of the Woodland Hills Mutual Water Company are reserved and restricted and do not contain the same rights as the fifty one percent (51%) owned by the Town. Therefore, to follow the guidance of FASB Statement 94, which is based on shares of equal rights, does not appear appropriate.

**Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**Town of Francis**  
**Notes to Financial Statements-Continued**  
**For the Year Ended June 30, 2006**

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**Note 4 - Other information - Continued**

**Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**Liens and encumbrances**

Property in proprietary fund fixed assets consisting of: the land application site, winter storage area, and connecting roadway of the sewer project were purchased with a grant provided by the Environmental Protection Agency of the United States Government. They have, therefore, asserted a lien against the property. Their interest is 55% of the proceeds of any subsequent sale or current fair market value of the property. The Town is restricted in the use of the property for the purposes of the original grant only, unless such use is no longer needed. If that situation occurs, the EPA may approve use in other EPA support projects, or control the dispersal of value according to the appropriate percentages.

Since the eligible cost of this property is \$262,907, the lien is estimated at a minimum of \$144,600 based on historical cost multiplied by 55%.

**Prior period adjustment**

In previous years accrual of expenses was not recorded properly. A prior period adjustments of \$33,043 has been made in the general fund balance and \$16,887 has been made in the enterprise

**Town of Francis**  
**Required Supplementary Information**  
**Schedule of Impact Fees**  
**For the Year Ended June 30, 2006**

New developments and increased population have an impact on existing structures and equipment at the municipal level. This often requires new or additional construction of water and sewer lines, buildings, parks, and roads within the governmental entity. To help offset the cost these additional needs and requirements, the entity may charge an impact fee. State law requires the local government to have an impact study completed, including an impact fee analysis before any fees may be charged. Additionally, the governmental entity must prepare a capital facility plan, enact impact fee legislation, and track the revenue collected, by source, and the capital facility expenditure it is used for. These funds must be expended with six years of collection.

Francis Town has established impact fees for parks, water, and sewer purposes. The following tables indicate the source of the impact fee, remaining unexpended balance, by year, and the planned expenditures by amount and capital project.

The government unit may expend impact fees before they are collected. In these tables, if the Town has expended more than it has collected, there is no reportable balance.

Impact Fee Source - Parks			
	Balance		Planned Expenditure
2004	\$ 221	2007-10	\$ 8,455
2005	3,222		
2006	5,012		
	<u>\$ 8,455</u>		<u>\$ 8,455</u>
Impact Fee Source - Water			
	Balance		Planned Expenditure
2006	<u>\$ 28,774</u>	2,007	<u>\$ 28,774</u>
Impact Fee Source - Sewer			
	Balance		Planned Expenditure
1998	\$ 21,612	2007-10	\$ 323,892
1999	42,823		
2000	42,823		
2001	22,671		
2002	25,190		
2003	37,785		
2004	20,152		
2005	42,823		
2006	68,013		
	<u>\$ 323,892</u>		<u>\$ 323,892</u>
Capital Projects			
Purchase of bleachers, equipment, and land.			
Capital Projects			
Payments on loan for purchase of water shares and reimbursement to developer for new waterlines.			
Capital Projects			
Construction of new sewer plant or purchase of additional land for sewer ponds.			

**Town of Francis**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Capital Projects**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget - Positive (Negative)</u>
<b><u>Revenues</u></b>				
Interest	\$ 2,250	5,087	5,068	(19)
Total revenues	2,250	5,087	5,068	(19)
<b><u>Expenditures</u></b>				
Current:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess revenues over (under) expenditures	2,250	5,087	5,068	(19)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	35,000	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources and uses	35,000	-	-	-
Excess of revs and other sources over (under) expend and other uses	37,250	5,087	5,068	(19)
Fund balances - beginning of year	117,528	117,528	117,528	-
Fund balances - end of year	\$ 154,778	122,615	122,596	(19)

The notes to the financial statements are an integral part of this statement.

## **OTHER REPORTS**

# **Ulrich & Associates, PC**

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Members  
of the Town Council  
Town of Francis  
Francis, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Francis as of and for the year ended June 30, 2006, which collectively comprise the Town of Francis's basic financial statements and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Francis' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Francis' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Members of Utah Association of CPA's / American Institute of CPA's

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We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have communicated to management of the Town of Francis.

This report is intended solely for the information and use of the Town Council, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Ulrich & Associates, P.C.*

December 19, 2006

# **Ulrich & Associates, PC**

*Certified Public Accountants*

## **STATE LEGAL COMPLIANCE REPORT**

The Honorable Mayor and Members  
of the Town Council  
Town of Francis  
Francis, Utah

We have audited the general purpose financial statements of the Town of Francis for the year ended June 30, 2006 and have issued our report thereon dated December 19, 2006. As part of our audit, we have audited compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the Town's compliance with those general compliance requirements

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Liquor Law Enforcement  
Justice Court Compliance  
B & C Road Funds  
Other Compliance Requirements  
Impact Fees and Other Development Fees

The management of the Town of Francis, is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Members of Utah Association of CPAs | American Institute of CPAs

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The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Town of Francis, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Ulrich & Associates, P.C.*

December 19, 2006